

Status of the FTAA Negotiations

The centerpiece of our trade and investment agenda in the Americas is the negotiation of the Free Trade Area of the Americas. The United States Government strongly supports the creation of a hemispheric free trade area, and we are fully committed to completing the FTAA by the January 2005 deadline set by the 34 democratically-elected Leaders at the Quebec Summit. With the enactment of Trade Promotion Authority, and as we assume our role as co-chair of the FTAA process with Brazil in November, we are committed to energize the negotiations and provide leadership through the final phase of the negotiations.

The negotiation of the FTAA continues to move forward in accordance with the schedules set by the Ministers and Leaders. The market access phase of the negotiations in agricultural and non-agricultural goods, services, investment, and government procurement was launched on May 15. At the most recent Trade Negotiations Committee (TNC) meeting at the end of August, the TNC agreed that the base tariff would be the MFN applied tariff as of the date of notification. The TNC had previously agreed that governments would notify their base tariff rates between August 15 and October 15. The United States was the first country to do so—on August 16. Initial offers in all five areas are to be made between December 15, 2002 and February 15, 2003. Requests for improvements in offers are to be made between February 16 to June 15, 2003. The deadline for the initiation of the process of exchanging revised offers is July 15, 2003. (The attached document –TNC/20/Rev1– provides additional details on the modalities for negotiations in all five areas.)

At the same time, there are significant challenges to the creation of a Free Trade Area of the Americas. The political situation in several countries is very fluid, and there are serious economic difficulties in a number of countries. Some countries have trade capacity needs related to full participation in the negotiations, eventual implementation of the FTAA Agreement, necessary structural adjustments to benefit fully from the FTAA. Finally, there is continuing public debate throughout the hemisphere about the benefits of free trade. Nevertheless, all 34 countries remain firmly committed to successful completion of the FTAA, as evidenced by their continued participation in the weekly negotiations held in Panama, the current site of the negotiations.

The FTAA Ministerial meeting in Quito on November 1, 2002 will provide opportunities to energize the negotiations and to continue to address some of the challenges. The Ministers will receive the second draft of the consolidated texts of the nine negotiating groups and will receive a preliminary draft reflecting initial work on the general and institutional provisions for the agreement prepared by the Technical Committee. The United States supports the public release of these draft texts at the Ministerial meeting. In addition, the United States looks forward to receiving the views and recommendations from the Americas Business Forum and the Civil Society Forum being conducted in Quito at the time of the Ministerial. Both the release of the text and successful interaction with civil society, including the business community, will help to reaffirm the Minister's commitment to transparency and public participation in the negotiating process.

The United States also seeks to have the Ministers adopt recommendations for a Hemispheric Cooperation Program to develop and implement national and/or sub-regional FTAA trade capacity action plans. These plans would assist countries to identify, articulate and prioritize needs related to: (a) participation in the negotiations; (b) strengthening capacity for implementation of FTAA commitments, and (c) structural adjustment needs related to the FTAA.

Furthermore, the United States will seek to have the Ministers commit to initial market access offers that are comprehensive and liberalizing, and establish an ambitious goal for resolving remaining differences in the draft texts of the agreement.

At the close of the Quito Ministerial, the United States and Brasil will assume the responsibility of serving as co-chairs of the FTAA process through conclusion of the negotiations in 2005. Combined with TPA, this formal leadership role for the United States, in partnership with Brasil, should provide confidence to our FTAA partners—and for our own economic interests—that the FTAA will become a reality.

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